

**MOC-FLOYD VALLEY
COMMUNITY SCHOOL DISTRICT
INDEPENDENT AUDITORS' REPORT**

JUNE 30, 2015

**MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
FOR THE YEAR ENDED JUNE 30, 2015
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MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT

BOARD MEMBERS AND OFFICIALS

June 30, 2015

<u>Name</u>		<u>Term Expires</u>
Gerald Van Roekel	President	2017
Shane Jager	Vice President	2015
Christine Koerselman	Board Member	2017
Bruce Schult	Board Member	2015
Amy Kleinhesselink	Board Member	2015
Officials		
Russ Adams	Superintendent	2015
Kim Dykstra	Board Secretary	2015
Scott Koolman	Board Treasurer	2015
Stephen F. Avery	Attorney	2015



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INDEPENDENT AUDITORS' REPORT

To the Board of Education of
MOC-Floyd Valley Community School District
Orange City, Iowa

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activity, each major fund, and the aggregate remaining fund information of the MOC-Floyd Valley Community School District, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activity, each major fund, and the aggregate remaining fund information of the MOC-Floyd Valley Community School District as of June 30, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 13 to the financial statements, MOC-Floyd Valley Community School District adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27*. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Budgetary Comparison Information, the Schedule of the District's Proportionate Share of Net Pension Liability, Schedule of District Contributions and the Schedule of Funding Progress for the Retiree Health Plan on pages 5 through 15 and 43 through 49 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2014 (which are not presented herein) and expressed unmodified opinions on those financial statements. The other supplementary information included in Schedules 1 through 6 is presented for purposes of additional analysis and is not a required part of the financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The other supplementary information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated January 30, 2016 on our consideration of the MOC-Floyd Valley Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the MOC-Floyd Valley Community School District's internal control over financial reporting and compliance.

Williams & Company, P.C.
Certified Public Accountants

Le Mars, Iowa
January 30, 2016

MOC-FLOYD VALLEY MANAGEMENT DISCUSSION AND ANALYSIS

MOC-Floyd Valley School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2015. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2015 FINANCIAL HIGHLIGHTS

General fund revenues increased by approximately 1% from \$14,072,829 in fiscal year 2014 to \$14,227,644 in fiscal year 2015, while General fund expenditures also increased from \$13,429,696 in fiscal year 2014 to \$14,289,135 in fiscal year 2015, an approximate 6% increase. The district's general fund balance decreased from \$3,297,340 in fiscal year 2014 to \$3,235,849 in fiscal year 2015, a 2% decrease.

The District enrollment increased by approximately 27 students. The state allowable growth was set at four percent for the 2014-15 fiscal year. After lengthy disagreement in the legislature, the allowable growth for the 2015-16 fiscal year was set at 1.25 percent after the legislative session had concluded. A proposal of an additional \$111.52 per pupil in one-time spending was agreed upon by the House and Senate and sent to the governor for his signature. However, that bill was vetoed by the governor in July 2015.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of MOC-Floyd Valley Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report MOC-Floyd Valley Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining financial statements provide information about activities for which MOC-Floyd Valley Community School District acts solely as an agent or custodian for the benefit of those outside of the District.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, the District's proportionate share of the net pension liability and related contributions, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Other Supplementary Information provides detailed information about the non-major Special Revenue Funds, Capital Project Funds, and Debt Service Fund. In addition, the Schedule of Expenditures of Federal Awards provides details of various programs benefiting the District.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

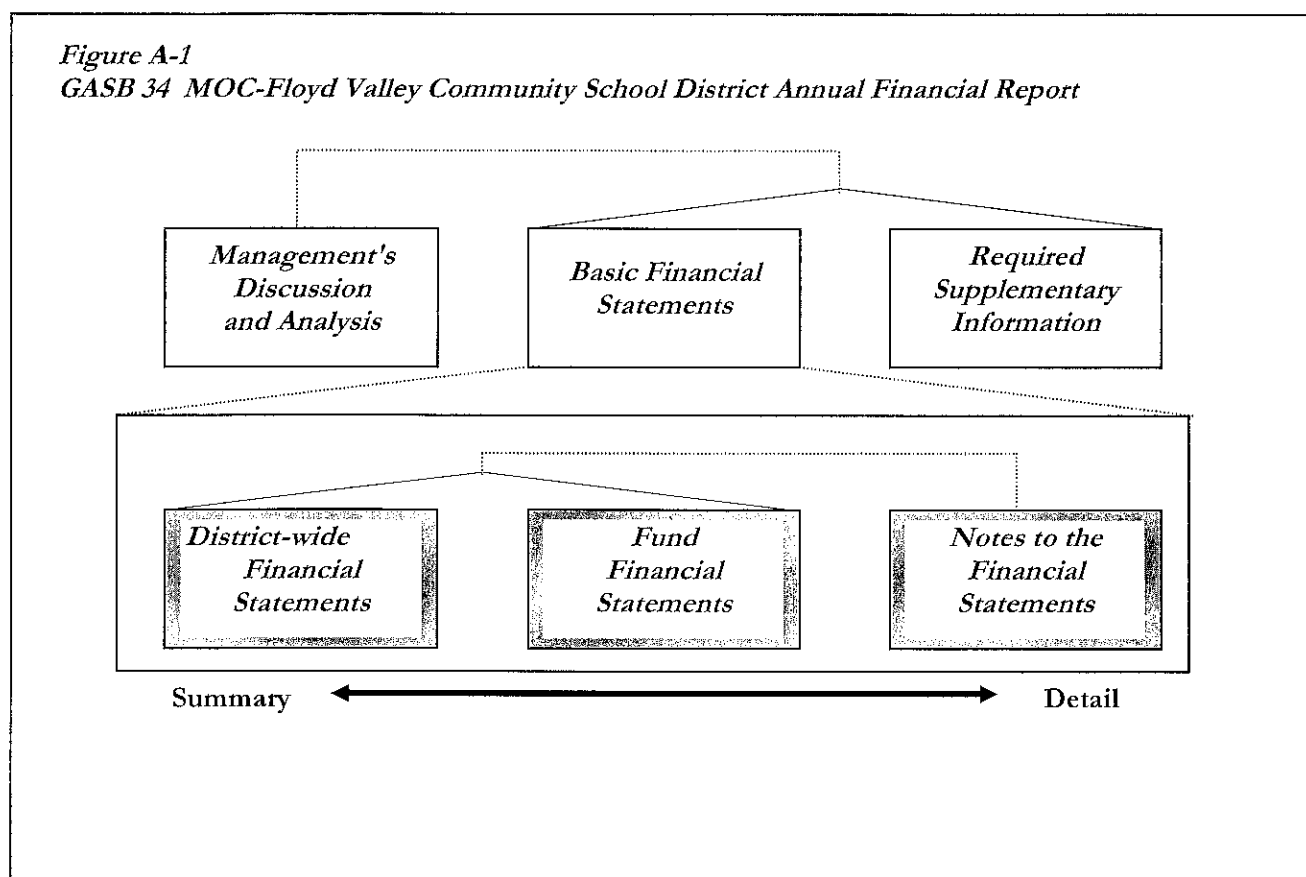


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2 Major Features of the Government-wide and Fund Financial Statements				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and adult education	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> • Statement of net position • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net position • Statement of revenues, expenses and changes in fund net position • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net position • Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net position and how it has changed. Net position – the difference between the District's assets and liabilities – is one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net position is an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Project Funds.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Fund, one type of proprietary fund, is the same as its business type activity, but provides more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund.

The required financial statements for proprietary funds include a statement of net position, a statement of revenues, expenses and changes in fund net position and a statement of cash flows.

- 3) *Fiduciary Funds:* The District is the trustee, or fiduciary, for assets that belong to others. The District's fiduciary funds include an agency fund for the District's flex cafeteria plan for employees and an agency fund for the District's Band Parent organization.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes this activity from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds includes a statement of fiduciary net position and a statement of changes in fiduciary net position.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net position at June 30, 2015 compared to June 30, 2014.

Condensed Statement of Net Position

	Governmental Activities		Business-Type Activities		Total District		Total % Change
	2015	2014 (Not Restated)	2015	2014 (Not Restated)	2015	2014 (Not Restated)	
Current and Other Assets							
Capital Assets	\$ 17,402,449	\$ 12,746,150	\$ 252,324	\$ 247,158	\$ 17,654,773	\$ 12,933,308	35.9%
Total Assets	13,864,904	11,027,325	177,707	167,538	14,042,611	11,194,863	25.4%
	31,267,353	23,773,475	430,031	414,696	31,697,384	24,188,171	31.0%
Deferred Outflows of Resources	1,044,900	-	31,605	-	1,076,505	-	100.0%
Current Liabilities	3,026,887	2,984,205	16,581	22,611	3,043,468	3,006,816	1.2%
Long-Term Liabilities	12,763,278	720,399	153,437	5,165	12,916,715	725,564	1682.0%
Total Liabilities	15,790,165	3,704,604	170,018	27,776	15,960,183	3,732,380	327.6%
Deferred Inflows of Resources	7,188,484	5,147,264	62,487	-	7,250,971	5,147,264	40.9%
Net Position							
Net Investment in Capital Assets	10,322,042	9,669,325	177,707	167,538	10,499,749	9,836,863	6.7%
Restricted	1,061,525	1,425,892	-	-	1,061,525	1,425,892	-25.6%
Unrestricted	(2,049,963)	3,826,390	51,424	219,382	(1,998,539)	4,045,772	-149.4%
Total Net Position	\$ 9,333,604	\$ 14,921,607	\$ 229,131	\$ 386,920	\$ 9,562,735	\$ 15,308,527	-37.5%

The District's total net position decreased by 37.5% or approximately \$5,745,000 from the prior year. This is due to the fact that the district entered into a new sales tax revenue bond sale in the amount of \$8,213,864, which will allow the district to make major renovations mainly to the high school but also to other buildings in the district. The largest portion of the District's net position is the net investment in capital assets, less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets. Also decreasing net position was the recognition of the District's net pension liability, as discussed on the following page.

For fiscal year 2015, long term liabilities increased by approximately 1680.2%. New sales tax revenue bond debt was issued with bonds payable in the amount of \$8,213,864. As stated previously, the new sales tax revenue bond will be used to finance major renovations throughout the district. Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position decreased by \$364,367 or 25.6% from the prior year. The decrease was primarily due to the 2012 sales tax bond getting paid off by the new sales tax revenue bond that was issued this year.

Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – decreased \$6,044,311 or 149.3%. This reduction in unrestricted net position was primarily a result of the District's net pension liability recorded in the current year as required by GASB 68.

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment to GASB Statement No. 27 was implemented during fiscal year 2015. The beginning net position as of July 1, 2014 for governmental activities and business type activities were restated by (\$6,401,976) and (\$193,640), respectively, to retroactively report the net pension liability as of June 30, 2013 and deferred outflows of resources related to contributions made after June 30, 2013 but prior to July 1, 2014. Fiscal year 2014 financial statement amounts for net pension liabilities, pension expense, deferred outflows of resources and deferred inflows of resources were not restated because the information was not available. In the past, pension expense was the amount of the employer contribution. Current reporting provides a more comprehensive measure of pension expense which is more reflective of the amounts employees earned during the year.

Figure A-4 shows the change in net position for the year ended June 30, 2015 compared to the year ended June 30, 2014.

Figure A-4
Changes in Net Position from Operations

	Governmental Activities		Business-type Activities		Total District		Total %
	2015	2014	2015	2014	2015	2014	Change
		(Not Restated)		(Not Restated)		(Not Restated)	
Revenue:							
Program Revenue:							
Charges for Services	\$ 895,718	\$ 823,615	\$ 487,491	\$ 475,584	\$ 1,383,209	\$ 1,299,199	6.5%
Operating Grants and Contributions	2,270,424	2,118,726	333,558	318,824	2,603,982	2,437,550	6.8%
General Revenues:							
Property Tax	5,152,235	5,023,614	-	-	5,152,235	5,023,614	2.6%
Instructional Support Surtax	605,666	732,128	-	-	605,666	732,128	-17.3%
Statewide Sales, Services, and Use Tax	1,305,145	1,168,653	-	-	1,305,145	1,168,653	11.7%
Unrestricted State Grants	6,009,835	5,884,383	-	-	6,009,835	5,884,383	2.1%
Unrestricted Investment Earnings	72,421	104,236	5,589	5,249	78,010	109,485	-28.7%
Gain of Disp of Assets	-	171,113	-	-	-	171,113	-100.0%
Other	124,559	156,248	4,881	4,027	129,440	160,275	-19.2%
Transfers	16,860	-	(16,860)	-	-	-	0.0%
TOTAL REVENUES	16,452,863	16,182,716	814,659	803,684	17,267,522	16,986,400	1.7%
Program Expenses:							
Instruction	10,720,006	10,264,998	-	-	10,720,006	10,264,998	4.4%
Support Services	3,933,714	3,750,971	-	-	3,933,714	3,750,971	4.9%
Non-instructions Programs	60,850	56,959	778,808	747,578	839,658	804,537	4.4%
Other Expenses	924,320	871,712	-	-	924,320	871,712	6.0%
TOTAL EXPENSES	15,638,890	14,944,640	778,808	747,587	16,417,698	15,692,218	4.6%
Change in Net Position	813,973	1,238,076	35,851	56,106	849,824	1,294,182	-34.3%
Net Position, Beginning of Year, as Restated	8,519,631	13,683,531	193,280	350,814	8,712,911	14,014,345	-37.80%
Net Position, End of Year	\$ 9,333,604	\$ 14,921,607	\$ 229,131	\$ 386,920	\$ 9,562,735	\$ 15,308,527	-37.50%

Property tax, statewide sales, services and use tax, and unrestricted state grants account for 76% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 94% of the total expenses.

As shown in Figure A-4, the District as a whole experienced a 1.7% increase in revenues and a 4.6% increase in expenses. Property tax increased approximately \$128,621 to fund the increase in expenses. The increase is related to increases in negotiated salaries and benefits.

Governmental Activities

Revenues for governmental activities were \$16,452,863 and expenses were \$15,638,890 for the year ended June 30, 2015.

The following table presents the total and net cost of the District's major governmental activities, instruction, support services, non-instructional programs and other expenses, for the year ended June 30, 2015 compared to the year ended June 30, 2014.

Figure A-5
Net Cost of Governmental
Activities

	Total Cost of Services		% Change	Net Cost of Services		% Change
	2015	2014		2015	2014	
Instruction	\$10,720,006	\$10,264,998	4.4%	\$8,395,976	\$8,118,236	3.4%
Support Services	3,933,714	3,750,971	4.9%	3,759,608	3,578,492	5.1%
Non-Instructional	60,850	56,959	6.8%	15,116	12,695	19.1%
Other	924,320	871,712	6.0%	302,048	292,876	3.1%
TOTAL	\$15,638,890	\$14,944,640	4.6%	\$12,472,748	\$12,002,229	3.9%

- The cost financed by users of the District's programs was \$895,718, an increase of \$72,103 from the previous year.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$2,270,424, an increase of \$151,698 from the prior year. This increase was due primarily to increased enrollment in special education.
- The net cost of governmental activities was financed with \$7,063,046 in property and other taxes and \$6,009,835 in unrestricted state grants.

Business Type Activities

Revenues of the District's business type activity during the year ended June 30, 2015 were \$814,659 representing a 1.4% increase over the prior year, while expenses totaled \$778,808 a 4.2% increase over the prior year. The District's business type activity is the School Nutrition Fund. Revenues of this activity were comprised of charges for service, federal and state reimbursements and investment income. The district provides breakfast and noon meals to the local day care program and receives revenue from that entity for these services.

INDIVIDUAL FUND ANALYSIS

As previously noted, MOC-Floyd Valley Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$8,719,403, an increase over last year's ending fund balances of \$4,446,206. The balance reflects an increase of \$4,726,844 in the Capital Projects fund balance. As stated previously, the increase in the capital projects fund is due to the new revenue sales tax bond that was taken out this year. The general fund decreased by \$61,491 mainly due to increased costs of salaries and benefits.

Governmental Fund Highlights

- The decrease in the general fund balance is largely due to increased salaries and benefits.
- After a citizen's committee met and reviewed district facilities, the decision was made to make major renovations throughout the district. At the high school a new science addition was constructed, improvements made to the fire alarm system, new boilers were put in, and updates were made to the library, family and consumer science rooms, auditorium, and locker rooms. At the middle school, the gym was renovated and the computer lab was converted into a classroom. At Orange City Elementary, the gym was remodeled and improvements were made to the main entry and windows. At Hospers Elementary, the gym was updated and concrete was added to the playground area. An \$8,213,864 sales tax revenue bond sale took place on July 1, 2014, to finance these projects. The bond sale was financed through the local banks.

Proprietary Fund Highlights

- School Nutrition Fund net position decreased from \$386,920 at June 30, 2014, to \$229,131 at June 30, 2015. This decrease is due to the reporting of the net pension liability which was reported for the first time in fiscal year 2015. The district received additional reimbursement for Severe Need Breakfast. Hospers Elementary was classified as a severe need school based upon free and reduced numbers. Lunch prices increased by seven cents per meal, as mandated by the National School Lunch Program, while breakfast prices remained the same. Sales of services to the Day Care increased as did the National School Lunch Program revenue.
- The District initiated a Split Funding program for its health insurance needs during the 2010-11 fiscal year. A \$2,500 deductible health insurance policy is purchased from Wellmark. The district then self funds the deductible down to the \$750 or \$1,500 deductible plans that are offered to district employees. Revenues increased slightly from \$186,610 in 2013-14 to \$187,354 in 2014-15. Expenditures decreased by \$50,940 from \$144,541 in 2013-14 to \$93,601 in 2014-15. The reason for this decrease is because the district paid the new fees for the Affordable Care Act health insurance out of the Split Funding program in FY14. These fees have now been built into the premium beginning July 1, 2014. Benefits for 2014-15 increased from the prior year by \$20,096. After the first year, a savings of \$93,924 was realized, \$161,251 after the second year, \$251,011 after the third year, and a total of \$293,080 after the fourth year. The balance as of June 30, 2015 is \$386,833.

BUDGETARY HIGHLIGHTS

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following a required public notice and hearing. The budget may be amended during the year utilizing statutorily prescribed procedures. The District's budget is prepared on the accrual basis. During the year, expenditures did not exceed the certified amounts. Detail can be found in the required supplementary information section of this report.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2015, the District had invested \$26,148,267 in a broad range of assets, including school buildings, athletic facilities, computer and audio-visual equipment, and administrative offices. (See Figure A-6) More detailed information about capital assets can be found in Note 4 to the financial statements. Total depreciation expense for governmental funds for the year was \$652,456 and \$23,226 for Food Service Operations.

Figure A-6
Capital Assets

	Governmental Activities		Business-type Activities		Total District		Total % Change
	2015	2014	2015	2014	2015	2014	
Land	\$ 337,624	\$ 337,624	\$ -	\$ -	\$ 337,624	\$ 337,624	0.0%
Constr in Progress	3,201,304	335,978	-	-	3,201,304	335,978	852.8%
Buildings	18,505,733	17,442,256	-	-	18,505,733	17,442,256	6.1%
Improvements other than buildings	758,468	758,468	-	-	758,468	758,468	0.0%
Furniture and Equipment	3,044,265	3,623,596	300,873	272,955	3,345,138	3,896,551	-14.2%
Total Assets	\$ 25,847,394	\$ 22,497,922	\$ 300,873	\$ 272,955	\$ 26,148,267	\$ 22,770,877	14.8%

Long-Term Debt

At year end, the District had \$8,213,864 in SILO Revenue bonds outstanding, \$13,455 in compensated absences, and \$15,075 in net OPEB liability. This is an increase of \$6,852,995 from the prior year, largely due to the new sales tax revenue bond that the District received money for on July 1, 2014.

Additional information about the District's long-term debt is presented in Note 7 to the financial statements.

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- The District enrollment for 2014-15 increased by approximately 27 students. The enrollment for the 2015-16 school year also shows an increase of about 15 students.
- Allowable growth was set at 4.0 per cent for the 2014-15 fiscal year. The allowable growth for 2015-16 was set at 1.25% and has not been set for the 2016-17 fiscal year.
- The communities are in need of expanding the local workforce. The City of Orange City has several housing initiatives underway. The Orange City Area Day Care Center has expanded and is set to open in January 2016.
- The City of Orange City has hired personnel to specifically focus on economic development and community growth.

- A new Hampton Inn has been built, located near the newly built Prairie Winds Event Center. A new Casey's General Store has been built, near the new Hampton Inn. A new strip mall in that same area is currently under construction.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Kim Dykstra, District Secretary and Business Manager, MOC-Floyd Valley Community School District, 709 8th Street SE, Orange City, Iowa 51041.

MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2015

	Governmental Activities	Business Type Activity	Total
ASSETS			
Cash and Pooled Investments	\$ 11,020,514	\$ 223,668	\$ 11,244,182
Receivables:			
Property Tax	42,633	-	42,633
Succeeding Year Property Tax	5,122,582	-	5,122,582
Income Surtax	581,728	-	581,728
Accounts	43,993	9,438	53,431
Due from Other Governments	531,737	-	531,737
Restricted Assets:			
Cash and Pooled Investments	59,262	-	59,262
Inventories	-	19,218	19,218
Land	337,624	-	337,624
Construction in Progress	3,201,304	-	3,201,304
Infrastructure, Property and Equipment, Net of Accumulated Depreciation	10,325,976	177,707	10,503,683
Total Assets	31,267,353	430,031	31,697,384
DEFERRED OUTFLOWS OF RESOURCES			
Pension Related Deferred Outflows	1,044,900	31,605	1,076,505
LIABILITIES			
Accounts Payable	1,107,289	3,488	1,110,777
Salaries and Benefits Payable	1,484,614	794	1,485,408
Accrued Interest Payable	22,246	-	22,246
Unearned Revenue	-	12,299	12,299
Noncurrent Liabilities:			
Due Within One Year:			
Bonds Payable	412,738	-	412,738
Due in More Than One Year:			
Accrued Compensated Absences	13,455	4,210	17,665
Bonds Payable	7,801,126	-	7,801,126
Net Pension Liability	4,933,622	149,227	5,082,849
Net OPEB Liability	15,075	-	15,075
Total Liabilities	15,790,165	170,018	15,960,183
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue -			
Subsequent Year Property Taxes	5,122,582	-	5,122,582
Pension Related Deferred Inflows	2,065,902	62,487	2,128,389
Total Deferred Inflows of Resources	7,188,484	62,487	7,250,971
NET POSITION			
Net Investment in Capital Assets	10,322,042	177,707	10,499,749
Restricted for:			
Categorical Funding	271,219	-	271,219
Debt Service	37,016	-	37,016
Management Levy	285,386	-	285,386
Physical Plant and Equipment Levy	333,971	-	333,971
Other Special Revenue Purposes	133,933	-	133,933
Unrestricted	(2,049,963)	51,424	(1,998,539)
Total Net Position	\$ 9,333,604	\$ 229,131	\$ 9,562,735

See Accompanying Notes to Financial Statements

**MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015**

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants Contributions
Governmental Activities:			
Instruction:			
Regular Instruction	\$ 7,678,840	\$ 295,821	\$ 895,521
Special Instruction	1,852,057	170,492	530,242
Other Instruction	1,189,109	360,196	71,758
Support Services:			
Student Services	330,385	-	31,303
Instructional Staff Services	623,724	-	23,061
Administration Services	1,162,750	-	-
Operation and Maintenance	1,220,074	23,475	-
Transportation Services	596,781	-	96,267
Non-instructional Programs	60,850	45,734	-
Other Expenditures:			
Facilities Acquisition and Construction Services	35,097	-	-
Long-term Debt Interest	266,951	-	-
AEA Flowthrough	622,272	-	622,272
Total governmental activities	<u>15,638,890</u>	<u>895,718</u>	<u>2,270,424</u>
Business Type Activity:			
Non-instructional Programs			
Food Service Operations	<u>778,808</u>	<u>487,491</u>	<u>333,558</u>
Total	<u>\$ 16,417,698</u>	<u>\$ 1,383,209</u>	<u>\$ 2,603,982</u>
General Revenues:			
Property Tax Levied For:			
General Purposes			
Capital Outlay			
Instructional Support Surtax			
Statewide Sales, Services, and Use Tax			
Unrestricted State Grants			
Unrestricted Investment Earnings			
Other			
Transfers			
Total general revenues and transfers			
Change in net position			
Net position - beginning			
Prior Period Adjustment			
Net position - beginning, as restated			
Net position - ending			

See Accompanying Notes to Financial Statements

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business Type Activity	Total
\$ (6,487,498)		\$ (6,487,498)
(1,151,323)		(1,151,323)
(757,155)		(757,155)
(299,082)		(299,082)
(600,663)		(600,663)
(1,162,750)		(1,162,750)
(1,196,599)		(1,196,599)
(500,514)		(500,514)
(15,116)		(15,116)
(35,097)		(35,097)
(266,951)		(266,951)
-		-
<u>(12,472,748)</u>		<u>(12,472,748)</u>
-	\$ 42,241	42,241
<u>(12,472,748)</u>	<u>42,241</u>	<u>(12,430,507)</u>
4,970,793	-	4,970,793
181,442	-	181,442
605,666	-	605,666
1,305,145	-	1,305,145
6,009,835	-	6,009,835
72,421	5,589	78,010
124,559	4,881	129,440
16,860	(16,860)	-
<u>13,286,721</u>	<u>(6,390)</u>	<u>13,280,331</u>
813,973	35,851	849,824
14,921,607	386,920	15,308,527
<u>(6,401,976)</u>	<u>(193,640)</u>	<u>(6,595,616)</u>
<u>8,519,631</u>	<u>193,280</u>	<u>8,712,911</u>
<u>\$ 9,333,604</u>	<u>\$ 229,131</u>	<u>\$ 9,562,735</u>

See Accompanying Notes to Financial Statements

MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2015

	General	Capital Projects Statewide Sales, Services and Use Tax	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and Pooled Investments	\$ 4,704,049	\$ 5,150,970	\$ 761,041	\$ 10,616,060
Receivables:				
Property Tax	39,087	-	3,546	42,633
Succeeding Year Property Tax	4,738,452	-	384,130	5,122,582
Income Surtax	581,728	-	-	581,728
Accounts	27,475	-	16,518	43,993
Due from Other Governments	329,144	202,593	-	531,737
Restricted Assets:				
Cash and Pooled Investments	-	-	59,262	59,262
Total Assets	10,419,935	5,353,563	1,224,497	16,997,995
LIABILITIES				
Liabilities:				
Accounts Payable	379,292	682,561	27,815	1,089,668
Salaries and Benefits Payable	1,484,614	-	-	1,484,614
Total Liabilities	1,863,906	682,561	27,815	2,574,282
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue -				
Subsequent Year Property Taxes	4,738,452	-	384,130	5,122,582
Income Surtax	581,728	-	-	581,728
Total Deferred Inflows of Resources	5,320,180	-	384,130	5,704,310
Fund Balances:				
Restricted for:				
Categorical Funding	271,219	-	-	271,219
Debt Service	-	-	59,262	59,262
Management Levy	-	-	285,386	285,386
Physical Plant and Equipment Levy	-	-	333,971	333,971
School Infrastructure	-	4,671,002	-	4,671,002
Other Special Revenue Purposes	-	-	133,933	133,933
Unassigned	2,964,630	-	-	2,964,630
Total Fund Balances	3,235,849	4,671,002	812,552	8,719,403
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 10,419,935	\$ 5,353,563	\$ 1,224,497	\$ 16,997,995

**MOC - FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITON
JUNE 30, 2015**

Amounts reported for Governmental Activities in the Statement of Net Position are different because:

Total Fund Balance - Governmental Funds (page 19)	\$ 8,719,403
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	13,864,904
An internal service fund is used by management to fund and maintain the District's partially self-insured prescription drug plan provided to user departments and is included in the statement of net position.	386,833
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(22,246)
Unearned revenues from the balance sheet that provide current financial resources for governmental activities.	581,728
Accrued compensated absences not reported on the modified accrual basis.	(13,455)
Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds, as follows:	
Deferred Outflows of Resources	\$ 1,044,900
Deferred Inflows of Resources	(2,065,902)
	(1,021,002)
Long-term liabilities, including bonds payable, net pension liability and other postemployment benefits payable, are not due and payable in the current year and therefore are not reported in the governmental funds.	
Revenue Bonds	\$ (8,213,864)
Net Pension Liability	(4,933,622)
Net OPEB Liability	(15,075)
	(13,162,561)
Total Net Position - Governmental Activities (page 16)	<u>\$ 9,333,604</u>

MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	General	Capital Projects Statewide Sales, Services and Use Tax	Other Governmental Funds	Total Governmental Funds
REVENUE:				
Local Sources:				
Local Tax	\$ 5,309,163	\$ 1,305,145	\$ 431,556	\$ 7,045,864
Tuition	445,484	-	-	445,484
Other	224,642	80,591	367,029	672,262
State Sources	7,745,108	-	4,189	7,749,297
Federal Sources	503,247	-	-	503,247
Total Revenue	14,227,644	1,385,736	802,774	16,416,154
EXPENDITURES:				
Current:				
Instruction:				
Regular Instruction	7,129,419	343,418	30,065	7,502,902
Special Instruction	1,928,940	-	-	1,928,940
Other Instruction	826,231	-	351,206	1,177,437
Support Services:				
Student Services	345,281	-	1,209	346,490
Instructional Staff Services	595,090	1,005	38,098	632,193
Administration Services	1,158,946	12,158	3,393	1,174,497
Operation and Maintenance	1,085,065	32,688	91,860	1,209,613
Transportation Services	552,263	111,270	29,715	693,248
Non-instructional Programs	45,628	-	15,555	61,183
Other Expenditures:				
Facilities Acquisition and Construction Services	-	3,384,971	-	3,384,971
Long-term Debt:				
Principal	-	-	1,358,000	1,358,000
Interest and Fiscal Charges	-	-	265,075	265,075
AEA Flowthrough	622,272	-	-	622,272
Total Expenditures	14,289,135	3,885,510	2,182,176	20,356,821
Excess (Deficiency) of Revenues Over Expenditures	(61,491)	(2,499,774)	(1,379,402)	(3,940,667)
Other Financing Sources (Uses):				
Transfers In	-	-	987,246	987,246
Transfers Out	-	(987,246)	-	(987,246)
Issuance of Revenue Bonds	-	8,213,864	-	8,213,864
Total Other Financing Sources (Uses)	-	7,226,618	987,246	8,213,864
Net Change in Fund Balances	(61,491)	4,726,844	(392,156)	4,273,197
Fund Balances - Beginning of Year	3,297,340	(55,842)	1,204,708	4,446,206
Fund Balances - End of Year	\$ 3,235,849	\$ 4,671,002	\$ 812,552	\$ 8,719,403

See Accompanying Notes to Financial Statements

**MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015**

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds (page 21)	\$ 4,273,197
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Governmental funds report capital outlays, including infrastructure, as expenditures. However in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Expenditures for capital assets exceeded depreciation expense in the current year as follows:

Expenditures for capital assets	\$ 3,590,871	
Depreciation expense	<u>(652,456)</u>	2,938,415

Governmental funds report only the proceeds from the sale of capital assets as revenue whereas the statement of activities reports the gain or loss on the sale or disposal of fixed assets. This is the effect on the change in net position on the statement of activities.	(100,836)
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Accrued interest expense that does not require current financial resources.	(1,876)
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues.	16,963
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Internal service funds are used by management to fund and maintain the District's health insurance provided to user departments. The net income of the internal service funds is reported with governmental activities.	93,753
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds as follows:

Pension expense	447,352	
Net OPEB liability	<u>3,189</u>	450,541

Long-term accrual of compensated absences is not reported in the governmental funds as it does not consume current financial resources. The net change in the long-term compensated absences for the year was:	(320)
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Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position	(8,213,864)
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The repayment of the principal of bonded long-term debt consumes the current resources of governmental funds without affecting the net assets. The statement of activities does not reflect the payment of principal on bonded long-term debt. The principal paid on these items during the current year was:	<u>1,358,000</u>
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Change in net position of governmental activities (page 18)	<u>\$ 813,973</u>
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MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2015

	Business Type Activity School Nutrition Fund	Governmental Activities Internal Service
ASSETS		
Current Assets:		
Cash and Pooled Investments	\$ 223,668	\$ 404,454
Inventories	19,218	-
Receivables:		
Accounts	9,438	-
Total Current Assets	<u>252,324</u>	<u>404,454</u>
Noncurrent Assets:		
Infrastructure, Property and Equipment, Net of Accumulated Depreciation	177,707	-
Total Noncurrent Assets	<u>177,707</u>	<u>-</u>
Total Assets	<u>430,031</u>	<u>404,454</u>
Deferred Outflows of Resources:		
Pension Related Deferred Outflows	<u>31,605</u>	<u>-</u>
LIABILITIES		
Current Liabilities:		
Accounts Payable	3,488	17,621
Salaries and Benefits Payable	794	-
Unearned Revenue	12,299	-
Total Current Liabilities	<u>16,581</u>	<u>17,621</u>
Noncurrent Liabilities:		
Accrued Compensated Absences	4,210	-
Net Pension Liability	149,227	-
Total Noncurrent Liabilities	<u>153,437</u>	<u>-</u>
Total Liabilities	<u>170,018</u>	<u>17,621</u>
Deferred Inflows of Resources:		
Pension Related Deferred Inflows	<u>62,487</u>	<u>-</u>
NET POSITION		
Net Investment in Capital Assets	177,707	-
Unrestricted	51,424	386,833
Total Net Position	<u>\$ 229,131</u>	<u>\$ 386,833</u>

MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	Business Type Activity School Nutrition Fund	Governmental Activities Internal Service
Operating Revenues:		
Charges for services	\$ 487,491	\$ 182,269
Miscellaneous	4,881	-
Total Operating Revenue	492,372	182,269
Operating Expenses:		
Non-Instructional Programs:		
Food Service Operations:		
Salaries	268,698	-
Benefits	40,358	-
Purchased Services	14,295	-
Supplies	427,559	-
Other	3,796	-
Depreciation	23,226	-
Other Enterprise Operations:		
Benefits	-	75,262
Purchased Services	-	18,339
Total Operating Expenses	777,932	93,601
Operating Income (Loss)	(285,560)	88,668
Non-Operating Revenues (Expenses):		
Interest Income	5,589	5,085
State Lunch Reimbursements	6,342	-
National School Lunch Program	264,154	-
Federal Food Commodities Received	63,062	-
Loss on Disposal of Capital Assets	(17,736)	-
Total Non-Operating Revenues	321,411	5,085
Change in net position	35,851	93,753
Net Position - Beginning of Year	386,920	293,080
Prior Period Adjustment	(193,640)	-
Net Position - Beginning of Year, As Restated	193,280	293,080
Net Position - ending	\$ 229,131	\$ 386,833

See Accompanying Notes to Financial Statements

**MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015**

	Business Type Activity School Nutrition Fund	Governmental Activities Internal Service
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 490,417	\$ -
Cash received from miscellaneous operating activities	4,881	182,269
Cash paid to employees for services	(323,741)	-
Cash paid to suppliers for goods or services	(389,581)	(79,534)
Total cash provided (used) by operating activities	<u>(218,024)</u>	<u>102,735</u>
Cash flows from noncapital financing activities:		
State grants received	6,342	-
Federal grants received	264,154	-
Total cash provided by noncapital financing activities	<u>270,496</u>	<u>-</u>
Cash flows from capital and related financing activities:		
Acquisition of capital assets	<u>(51,132)</u>	<u>-</u>
Cash flows from investing activities:		
Interest on investments	<u>5,589</u>	<u>5,085</u>
Net increase in cash and cash equivalents	6,929	107,820
Cash and cash equivalents - beginning of year	<u>216,739</u>	<u>296,634</u>
Cash and cash equivalents - end of year	<u><u>223,668</u></u>	<u><u>404,454</u></u>
Reconciliation of operating income (loss) to net cash provided (used) in operating activities:		
Operating income (loss)	(285,560)	88,668
Adjustments to reconcile net operating income (loss) to net cash provided (used) by operating activities:		
Depreciation expense	23,226	-
Commodities used	63,062	-
(Increase) decrease in assets and increase (decrease) in liabilities:		
Accounts Receivable	715	-
Inventories	1,048	-
Accounts Payable	(8,041)	14,067
Salaries and Benefits Payable	(198)	-
Compensated Absences Payable	(955)	-
Unearned Revenue	2,211	-
Net Pension Liability	(66,400)	-
Deferred Outflow of Resources	(4,043)	-
Deferred Inflows of Resources	56,911	-
Net cash provided (used) in operating activities	<u><u>\$ (218,024)</u></u>	<u><u>\$ 102,735</u></u>
Non-cash investing, capital and financing activities:		
Federal food commodities received	<u><u>\$ 63,062</u></u>	<u><u>\$ -</u></u>

See Accompanying Notes to Financial Statements

MOC - FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
AGENCY FUNDS
JUNE 30, 2015

	<u>2015</u>
Assets:	
Cash and Temporary Cash Investments	\$ 60,407
Total Assets	<u>60,407</u>
Liabilities:	
Other Payables	<u>60,407</u>
Net Position	<u>\$ -</u>

See Accompanying Notes to Financial Statements

MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The MOC-Floyd Valley Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the cities of Maurice, Orange City, Alton, Hospers, Newkirk and Granville, Iowa, and the predominate agricultural territory in Sioux and O'Brien Counties in Iowa. The district is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Government Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, MOC-Floyd Valley Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. MOC-Floyd Valley Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Sioux County Assessor's Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Position and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service. The District's internal service fund is classified as a governmental-type activity.

The Statement of Net Position presents the District's nonfiduciary assets and liabilities, with the difference reported as net position. Net position is reported in the following categories:

Net Investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

Restricted net position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Unrestricted net position consists of net position not meeting the definition of the two preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The District reports the following major governmental fund:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The District reports the following major proprietary fund:

The District's proprietary fund is the Enterprise, School Nutrition Fund. This fund is used to account for the food service operations of the District.

Additionally, the District reports the following fund types:

Internal Service Fund – Internal Service Funds account for operations that provide services to other departments or agencies of the government, or to other governments on a cost-reimbursement basis.

The District's internal service fund is presented in the proprietary fund financial statements. Because the principal users of the internal services are the District's governmental activities, the financial statements of the internal service fund are consolidated into the governmental activities column when presented in the government-wide financial statements. To the extent possible, the cost of these services is reported in the appropriate functional activity.

A description of the District's internal service fund is as follows:

Split-Funding Health Insurance – To account for the funding and maintenance of the District's partial self-funded health insurance provided to District employees.

Fiduciary Funds – Fiduciary Funds focus on net position and changes in net position. The District's fiduciary funds are as follows:

MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Flex Agency Fund – The Flex account is the District's cafeteria plan. Employees of the District deposit monies into this fund, which are held by the District until they are disbursed back to the depositor.

Band Parents Agency Fund – This fund is used to account for assets held by the District as an agent for this private organization.

C. Basis of Accounting/Measurement Focus

The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied. When expenses can be paid using multiple funding sources, the District's policy is to first apply towards restricted fund balance where applicable.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year-end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financial sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less restricted classifications – committed, assigned, and then unassigned fund balances.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most District funds are pooled and invested. Investments are stated at fair value.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable – Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2013 assessed property valuations; is for the tax accrual period July 1, 2014 through June 30, 2015 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2014.

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Prepaid Expenses – Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets – Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Position. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of \$2,000 for governmental capital assets and \$500 for school nutrition capital assets.

MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets are depreciated using the straight-line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Improvements other than buildings	20-50 years
Furniture and equipment	5-15 years

Salaries and Benefits Payable – Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Unearned Revenue – Unearned revenue in the Statement of Net Position consists of unused hot lunch revenue.

Deferred Outflows of Resources – Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense / expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the employer after the measurement date but before the end of the employer's reporting period.

Compensated Absences – District employees can accumulate a limited amount of earned but unused sick pay for subsequent use or for partial payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements and the proprietary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on a flat dollar amount per day. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Long-Term Liabilities – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Position.

Pensions – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System (IPERS) and additions to / deductions from IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, the benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Inflows of Resources – Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consist of property tax receivable and other receivables not collected within sixty days after year end.

MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred inflows of resources in the Statement of Net Position consist of succeeding year property tax receivables that will not be recognized until the year for which it is levied and the unamortized portion of the net difference between projected and actual earnings on pension plan investment.

Fund Equity – In the governmental fund financial statements, fund balances are classified as follows:

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Unassigned – All amounts not included in other spendable classifications.

Restricted Net Position – In the government-wide Statement of Net Position, net position is reported as restricted when constraints placed on net position use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or are imposed by law through constitutional provisions or enabling legislation.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2015, expenditures did not exceed the amounts budgeted.

NOTE 2 – CASH AND POOLED INVESTMENTS

The District's deposits in banks at June 30, 2015 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies, certain joint investment trusts; and warrants or improvement certificates of a drainage district.

Custodial Credit Risk – The District has no policy in place regarding custodial credit risk and deposits with financial institutions; however, deposits are insured by the state sinking fund, which provides for additional assessments against depositories to avoid loss of public funds.

Interest Rate Risk – This is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates.

The District had no investments as of June 30, 2015 meeting the definition of GASB Statement 40.

MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2015

NOTE 3 – INTERFUND TRANSFERS

The detail of short-term interfund transfers for the year ended June 30, 2015 is as follows:

Transfer To	Transfer From	Amount
Debt Service	Capital Project – LOST	\$ 987,246
General Fund	School Nutrition Fund	\$ 16,860

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2015 was as follows:

	Balance July 1, 2014	Additions	Deletions	Reclass	Balance June 30, 2015
Governmental Activities:					
Capital assets not being depreciated:					
Land	\$ 337,624	\$ -	\$ -	\$ -	\$ 337,624
Construction in Progress	335,978	3,166,724	301,398	-	3,201,304
Total capital assets not being depreciated	673,602	3,166,724	301,398	-	3,538,928
Capital assets being depreciated:					
Buildings	17,442,256	485,966	7,817	585,328	18,505,733
Improvements other than buildings	758,468	-	-	-	758,468
Furniture and equipment	3,623,596	239,579	95,814	(723,096)	3,044,265
Total capital assets being depreciated	21,824,320	725,545	103,631	(137,768)	22,308,466
Less: Accumulated Depreciation for:					
Buildings	8,486,296	395,360	3,940	332,305	9,210,021
Improvements other than buildings	670,416	18,775	-	(5,986)	683,205
Furniture and equipment	2,313,885	238,321	90,862	(372,080)	2,089,264
Total Accumulated Depreciation	11,470,597	652,456	94,802	(45,761)	11,982,490
Total capital assets being depreciated, net	10,353,723	73,089	8,829	(92,007)	10,325,976
Governmental activities capital assets, net	\$ 11,027,325	\$ 3,239,813	\$ 310,227	\$ (92,007)	\$ 13,864,904

Construction in progress as of June 30, 2015 consists of costs associated with the middle school gym, Orange City elementary main entrance, Hospers gym and several construction projects at the high school. A portion of the reclass amount was found when the District switched asset tracking software and discovered several items that were under the capitalization policy were being depreciated. To adhere to current capitalization policy and remain consistent, these items were taken off the depreciation schedule in the current year.

	Balance July 1, 2014	Additions	Deletions	Reclass	Balance June 30, 2015
Business-type Activities:					
Furniture and equipment	\$ 272,955	\$ 51,132	\$ 3,314	\$ (19,900)	\$ 300,873
Less: Accumulated Depreciation	105,417	23,226	2,437	(3,040)	123,166
Business-type activities capital assets, net	\$ 167,538	\$ 27,906	\$ 877	\$ (16,860)	\$ 177,707

MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2015

NOTE 4 – CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to the functions as follows:

Governmental Activities:

Regular Instruction	\$ 387,535
Special Instruction	2,490
Other Instruction	71,889
Instructional Staff Services	33,488
Administration Services	36,077
Operation and Maintenance	53,206
Transportation Services	67,771
	<u>652,456</u>

Total depreciation expenses – governmental activities	<u>\$ 652,456</u>
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Business-type activities:

Food Service Operations	<u>\$ 23,226</u>
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Reconciliation of Net Investment in Capital Assets:

	<u>Governmental Activities</u>	<u>Business- Type Activities</u>
Land	\$ 337,624	\$ -
Construction in Progress	3,201,304	-
Capital Assets (net of accumulated depreciation)	10,325,976	177,707
Unspent Bond Proceeds	4,671,002	-
Less: Bonds Payable	<u>8,213,864</u>	<u>-</u>
Net Investment in Capital Assets	<u>\$ 10,322,042</u>	<u>\$ 177,707</u>

NOTE 5 – PENSION PLAN

Plan description – IPERS membership is mandatory for employees of the District, except for those covered by another retirement system. Employees of the District are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive, P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits - A Regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member's first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55.

The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier (based on years of service).

MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2015

NOTE 5 – PENSION PLAN (CONTINUED)

- The member's highest five-year average salary. (For members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary).

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25% for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50% for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits - A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions - Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30 year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2015, pursuant to the required rate, Regular members contributed 5.95 percent of pay and the District contributed 8.93 percent for a total rate of 14.88 percent.

The District's total contributions to IPERS for the year ended June 30, 2015 were \$796,947.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2015, the District reported a liability of \$5,082,849 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the District's collective proportion was 0.1281636 percent, which was an decrease of .05932 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the District recognized pension expense of (\$460,884). At June 30, 2015 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2015

NOTE 5 – PENSION PLAN (CONTINUED)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 55,241	\$ -
Changes of assumptions	224,317	-
Net difference between projected and actual earnings on pension plan investments	-	1,938,452
Changes in proportion and differences between District contributions and proportionate share of contributions	-	189,937
District contributions subsequent to the measurement date	796,947	-
Total	<u>\$ 1,076,505</u>	<u>\$ 2,128,389</u>

\$796,947 reported as deferred outflows of resources related to pensions resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	
2016	\$ (463,673)
2017	(463,673)
2018	(463,673)
2019	(463,673)
2020	5,862
	<u>\$ (1,848,831)</u>

There were no non-employer contributing entities at IPERS.

Actuarial assumptions – The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of Inflation (effective June 30, 2014)	3.00 percent per annum
Salary Increases (effective June 30, 2014)	4.00 to 17 percent average, including inflation. Rates vary by membership group.
Investment Rate of Return (effective June 30, 2014)	7.50 percent per annum, compounded annually, net of pension plan investment expense, and including inflation

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Generational Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2015

NOTE 5 – PENSION PLAN (CONTINUED)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
US Equity	23%	6.31
Non US Equity	15	6.76
Private Equity	13	11.34
Real Estate	8	3.52
Core Plus Fixed Income	28	2.06
Credit Opportunities	5	3.67
TIPS	5	1.92
Other Real Assets	2	6.27
Cash	1	(0.69)
Total	<u>100%</u>	

Discount rate – The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the District will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate - The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.50 percent) or 1 percentage point higher (8.5 percent) than the current rate.

	1% Decrease 6.5%	Discount Rate 7.5%	1% Increase 8.5%
District's proportionate share of the net Pension liability	\$ 9,603,901	\$ 5,082,849	\$ 1,266,613

Pension plan fiduciary net position – Detailed information about the pension plan's fiduciary net position is available in the separately issued financial report which is available on IPERS' website at www.ipers.org.

Payables to the pension plan - At June 30, 2015, the District reported payables to the defined benefit pension plan of \$67,144 for legally required employer contributions and \$44,737 for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

NOTE 6 – OTHER POST EMPLOYMENT BENEFITS

Plan Description. The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for employees, retirees and their spouses. Retired participants must be age 55 or older at retirement.

The health insurance is provided through a partially self-funded plan through Wellmark and administered by Three Rivers Benefit Corporation. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees, which results in an implicit rate subsidy and an OPEB liability.

MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2015

NOTE 6 – OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

Funding Policy. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and NET OPEB Obligation. The District's annual other post-employment benefit (OPEB) cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years.

The following table shows the components of the District's annual OPEB for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation:

Annual required contribution	\$ 9,994
Interest on net OPEB obligation	365
Adjustment to annual required contribution	<u>(807)</u>
Annual OPEB cost (Expense)	9,552
Estimated contributions made	<u>12,741</u>
Decrease in net OPEB obligation	(3,189)
Net OPEB obligation – beginning of year	<u>18,264</u>
Net OPEB obligation – end of year	<u>\$ 15,075</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the estimated contributions for the year ended June 30, 2015.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation are summarized as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2015	\$ 9,552	107.27%	\$ 15,075
2014	\$ 9,466	107.27%	\$ 18,264
2013	\$ 9,450	107.27%	\$ 21,804
2012	\$ 17,500	42.84%	\$ 22,491
2011	\$ 17,500	42.84%	\$ 14,994

Funded Status and Funding Progress. As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2013 through June 30, 2015, the actuarial accrued liability was \$114,520, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$114,520. The covered payroll (annual payroll of the active employees covered by the plan) was approximately \$7,270,000 and the ratio of the UAAL to covered payroll was 1.58%. As of June 30, 2015, there were no trust fund assets.

Actuarial Methods and Assumptions. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress for the retiree health plan, presented as required supplementary information in the section following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2015

NOTE 6 – OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effect of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2012 actuarial valuation date, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 2% interest discount rate based on the District's funding policy. The projected annual medical trend rate is 8%. The ultimate medical trend rate is 3%. The medical trend rate is reduced 1% each year until reaching the 3% ultimate trend rate. An inflation rate of 0% is assumed for the purpose of this computation. Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Termination rates used in the actuarial valuation are based upon national termination studies performed by the Society of Actuaries and were adjusted to reflect the recent lower termination rates experienced by the District. Assumptions do not include any growth or decline in payroll per annum. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis for 30 years.

NOTE 7 – LONG-TERM LIABILITIES

Changes in long-term liabilities for the year ended June 30, 2015 are summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Revenue Bonds	\$ 1,358,000	\$ 8,213,864	\$ 1,358,000	\$ 8,213,864	\$ 412,738
Compensated Absences	13,135	1,285	965	13,455	-
Net Pension Liability	7,128,901	-	2,195,279	4,933,622	-
Net OPEB Liability	18,264	-	3,189	15,075	-
Governmental Activities Long-Term Liabilities	\$ 8,518,300	\$ 8,215,149	\$ 3,557,433	\$ 13,176,016	\$ 412,738

Revenue Bonds

Details of the Districts June 30, 2015 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Bond Issue of July 1, 2014				
Year Ending June 30,	Interest Rates	Principal	Interest	Total
2016	3.25%	\$ 412,738	\$ 261,392	\$ 674,130
2017	3.25%	464,488	246,658	711,146
2018	3.25%	479,811	231,335	711,146
2019	3.25%	495,639	215,507	711,146
2020	3.25%	511,989	199,157	711,146
2021-2025	3.25%	2,824,717	731,013	3,555,730
2026-2030	3.25%	3,024,482	234,936	3,259,418
		<u>\$ 8,213,864</u>	<u>\$ 2,119,998</u>	<u>\$10,333,862</u>

The District has pledged future statewide sales, services, and use tax revenues to repay the revenue bonds issued in July, 2014. The bonds were issued for the purpose of refunding the remaining portion of the 2012 revenue bonds which matured July 1, 2015 and for the purpose of financing the construction costs associated with various improvements and renovation projects. The bonds are payable solely from the proceeds of the statewide sales, services, and use tax revenues received by the District and are payable through 2030. The bonds are not a general obligation of the District. Annual principal and interest payments on the bonds are expected to require the majority of the statewide sales, services, and

MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2015

NOTE 7 – LONG-TERM LIABILITIES (CONTINUED)

use tax revenues received by the District and are payable through 2030. The bonds are not a general obligation of the District. Annual principal and interest payments on the bonds are expected to require the majority of the statewide sales, services, and use tax revenues. The total principal and interest remaining to be paid on the notes is \$10,333,862. For the current year, \$1,623,075 of principal and interest was paid on the bonds and total statewide sales, services, and use tax revenues were \$1,305,145.

The resolution providing for the issuance of the statewide sales, services, and use tax revenue bonds includes the following provisions:

1. The proceeds from the issuance of the revenue bonds shall be deposited to the project account.
2. All proceeds from the statewide sales, services and use tax shall be placed in a revenue account.
3. Monies in the revenue account shall be disbursed to make deposits into a sinking account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
4. Any monies remaining in the revenue account after the required transfer to the sinking account may be transferred to the project account to be used for any lawful purpose.

The District was in compliance with all of the provisions during the year ended June 30, 2015.

Early Retirement

The District suspended their early retirement plan during the year ended June 30, 2015, and no liabilities for prior enrollment periods were outstanding.

NOTE 8 – RISK MANAGEMENT

MOC-Floyd Valley Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 9 – AREA EDUCATION AGENCY

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$622,272 for the year ended June 30, 2015 and is recorded in the General Fund.

NOTE 10 – SPLIT FUNDING HEALTH INSURANCE PLAN

The District's Split Funding Health Insurance Fund was established during fiscal year 2011 to account for the partial self-funding of the District's prescription drug benefit and health insurance plans. The plan is funded by District contributions and is administered through a service agreement with Three Rivers Benefit Corporation. The District assumed liability for co-pay amounts of \$5 to \$20 for prescription drugs and \$500 to \$1,000 for health insurance depending on the coverage selected by the employee.

MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2015

NOTE 10 – SPLIT FUNDING HEALTH INSURANCE PLAN (CONTINUED)

Claims payable and estimated claims incurred but not reported are recorded as liabilities of the Internal Services Fund.

	2015	2014
Claims Payable, beginning of year	\$ 3,554	\$ 6,414
Claims Paid	(61,195)	(58,026)
Claims Incurred	75,262	55,166
Claims Payable, end of year	<u>\$ 17,621</u>	<u>\$ 3,554</u>

NOTE 11 – CATEGORICAL FUNDING

The District's restricted fund balance for categorical funding at June 30, 2015 is comprised of the following programs:

<u>Program</u>	<u>Amount</u>
Four-year-old Preschool State Aid	\$ 143,756
Professional Development for Model Core Curriculum	59,406
Early Literacy Implementation	43,737
Educator Quality Professional Development	<u>24,320</u>
	<u>\$ 271,219</u>

NOTE 12 – CONSTRUCTION COMMITMENT

During the year ended June 30, 2015, the District entered into several construction contracts totaling approximately \$5,086,000 of which approximately \$2,290,000 has been expended to date. The remaining balance will be paid as work progresses.

NOTE 13 – ACCOUNTING CHANGE / RESTATEMENT

Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB No. 27* was implemented during fiscal year 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, GASB No. 68 requires a state or local government employer to recognize a net pension liability and changes in the net pension liability, deferred outflows of resources and deferred inflows of resources which arise from other types of events related to pensions. During the transition year, as permitted, beginning balances for deferred outflows of resources and deferred inflows of resources will not be reported, except for deferred outflows of resources related to contributions made after the measurement date of the beginning net pension liability which is required to be reported by

MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2015

NOTE 13 – ACCOUNTING CHANGE / RESTATEMENT (CONTINUED)

Governmental Accounting Standards Board Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Beginning net position for governmental and business type activities were restated to retroactively report the beginning net pension liability and deferred outflows of resources related to contributions made after the measurement date, as follows:

	Governmental Activities	Business Type Activities
Net Position June 30, 2014, as previously reported	\$ 14,921,607	\$ 386,920
Net Pension Liability at June 30, 2014	(7,128,901)	(215,627)
Deferred outflows of resources related to contributions made after the June 30, 2013 measurement date	726,925	21,987
Net Position June 30, 2014, as restated	<u>\$ 8,519,631</u>	<u>\$ 193,280</u>

REQUIRED SUPPLEMENTARY INFORMATION

MOC - FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN BALANCES,
BUDGET AND ACTUAL, ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUND

REQUIRED SUPPLEMENTARY INFORMATION

FOR THE YEAR ENDED JUNE 30, 2015

	Budgeted Amounts		Governmental	Proprietary	Total	Final to
	Original	Final	Funds	Fund	Actual	Actual
			Actual	Actual		Variance
REVENUE:						
Local Sources:						
Local Tax	\$ 5,710,014	\$ 5,710,014	\$ 7,045,864	\$ -	\$ 7,045,864	\$ 1,335,850
Tuition	382,550	382,550	445,484	-	445,484	62,934
Other	2,257,253	2,257,253	672,262	497,961	1,170,223	(1,087,030)
State Sources	7,773,848	7,773,848	7,749,297	6,342	7,755,639	(18,209)
Federal Sources	725,652	725,652	503,247	327,216	830,463	104,811
Total Revenue	16,849,317	16,849,317	16,416,154	831,519	17,247,673	398,356
EXPENDITURES:						
Current:						
Instruction	10,959,904	10,959,904	10,609,279	-	10,609,279	350,625
Support Services	4,669,318	4,669,318	4,056,041	-	4,056,041	613,277
Non-instructional Programs	1,063,096	1,063,096	61,183	777,932	839,115	223,981
Other Expenditures	1,749,503	6,710,000	5,630,318	-	5,630,318	1,079,682
Total Expenditures	18,441,821	23,402,318	20,356,821	777,932	21,134,753	2,267,565
Excess (Deficiency) of Revenues Over Expenditures	(1,592,504)	(6,553,001)	(3,940,667)	53,587	(3,887,080)	2,665,921
Other Financing Sources (Uses):						
Transfers In	721,670	721,670	987,246	-	987,246	265,576
Transfers Out	(721,670)	(721,670)	(987,246)	-	(987,246)	(265,576)
Proceeds from Sale of Fixed Assets	4,000	4,000	-	-	-	(4,000)
Loss on Disposal of Assets	-	-	-	(17,736)	(17,736)	(17,736)
Issuance of Revenue Bonds	-	-	8,213,864	-	8,213,864	8,213,864
Total Other Financing Sources (Uses)	4,000	4,000	8,213,864	(17,736)	8,196,128	8,192,128
Net Change in Fund Balances	(1,588,504)	(6,549,001)	4,273,197	35,851	4,309,048	\$ 10,858,049
Fund Balances - Beginning of Year	4,833,126	4,833,126	4,446,206	386,920	4,833,126	
Prior Period Adjustment	-	-	-	(193,640)	-	
Fund Balances - Beginning of Year as restated	4,833,126	4,833,126	4,446,206	193,280	4,833,126	
Fund Balances - End of Year	\$ 3,244,622	\$ (1,715,875)	\$ 8,719,403	\$ 229,131	\$ 9,142,174	

See accompanying independent auditors' report

MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
Notes to Required Supplementary Information – Budgetary Reporting
June 30, 2015

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except the internal service fund and the agency funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functional areas, not by fund or fund type. These four functional areas are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional area level, not at the fund or fund type level. This level of control is at a level higher than the individual fund. It is necessary, therefore, to aggregate the expenditures of governmental fund types with expenses of proprietary fund types on a functional area basis and to compare such functional area totals to functional area budgeted totals in order to demonstrate legal compliance with budget. The Code of Iowa also provides that District disbursements in the General Fund may not exceed the amount authorized by the school finance formula. During the year ended June 30, 2015, the District adopted one budget amendment, increasing budgeted expenditures by \$4,960,497.

See accompanying independent auditors' report

**MOC-FLOYD VALLEY SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY
IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM LAST FISCAL YEAR*
(IN THOUSANDS)
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2015**

	2015
District's proportion of the net pension liability	.1281636%
District's proportionate share of the net pension liability	\$ 5,083
District's covered-employee payroll	\$ 8,231
District's proportionate share of the net pension liability as a percentage of its covered employee payroll	61.75%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

*The amounts presented for each fiscal year were determined as of June 30.

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

**MOC-FLOYD VALLEY SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT CONTRIBUTIONS
IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
LAST TEN YEARS (IN THOUSANDS)
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2015**

	2015	2014	2013	2012	2011
Statutorily required contribution	\$ 797	\$ 735	\$ 727	\$ 648	\$ 559
Contributions in relation to the statutorily required contribution	(797)	(735)	(727)	(648)	(559)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered employee payroll	\$ 8,925	\$ 8,231	\$ 8,385	\$ 8,030	\$ 8,043
Contributions as a percentage of covered-employee payroll	8.93%	8.93%	8.67%	8.07%	6.95%

	2010	2009	2008	2007	2006
Statutorily required contribution	\$ 534	\$ 494	\$ 430	\$ 387	\$ 360
Contributions in relation to the statutorily required contribution	(534)	(494)	(430)	(387)	(360)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered employee payroll	\$ 8,030	\$ 7,780	\$ 7,107	\$ 6,730	\$ 6,261
Contributions as a percentage of covered-employee payroll	6.65%	6.35%	6.05%	5.75%	5.75%

See accompanying independent auditors' report

**MOC-FLOYD VALLEY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION –
PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2015**

Changes of Benefit Terms:

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3 percent per year measured from the member's first unreduced retirement age to a 6 percent reduction for each year of retirement before age 65.

In 2008, legislative action transferred four groups – emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

Benefit provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July 1 (beginning in 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by the employee and employer, instead of the previous 40-60 split.

Changes of Assumptions

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25 percent to 3.00 percent.
- Decreased the assumed rate of interest on member accounts from 4.00 percent to 3.75 percent per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates.
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation of the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.

**MOC-FLOYD VALLEY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION --
PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2015**

The 2006 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted salary increase assumptions to service based assumptions.
- Decreased the assumed interest rate credited on employee contributions from 4.25 percent to 4.00 percent.
- Lowered the inflation assumption from 3.50 percent to 3.25 percent.
- Lowered disability rates for sheriffs and deputies and protection occupation members.

MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
Schedule of Funding Progress for the
Retiree Health Plan

Required Supplementary Information							
Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2011	July 1, 2009	-	\$ 190,458	\$ 190,458	0.00%	\$6,000,000	3.17%
2012	July 1, 2009	-	\$ 190,458	\$ 190,458	0.00%	\$6,500,000	2.93%
2013	July 1, 2012	-	\$ 114,520	\$ 114,520	0.00%	\$6,700,000	1.71%
2014	July 1, 2012	-	\$ 114,520	\$ 114,520	0.00%	\$6,900,000	1.66%
2015	July 1, 2012	-	\$ 114,520	\$ 114,520	0.00%	\$7,200,000	1.59%

See Note 5 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

See accompanying independent auditors' report

OTHER SUPPLEMENTARY INFORMATION

MOC - FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2015

Schedule 1

REVENUES:

Local Sources:

Local Tax:

Property Tax	\$ 4,662,773
Mobile Home Tax	2,746
Utility Tax Replacement Excise Tax	54,941
Surtax	588,703
	<u>5,309,163</u>

Other Local Sources:

Interest on Investments	58,647
Tuition from Individuals	48,332
Tuition from Other Districts	397,152
Rent	23,475
Sharing Agreements	45,734
Miscellaneous	96,786
	<u>670,126</u>
	<u>5,979,289</u>

State Sources:

State Foundation Aid	6,967,174
Successful Progression for Early Readers Grant	23,338
Beginning Teacher Mentoring Program	11,050
Non-Public Transportation Aid	96,267
Non-Public Textbook and Technology Aid	11,509
Vocational Education Aid	11,019
AEA Flow-Through	622,272
Revenue in lieu of taxes - military credit	2,479
	<u>7,745,108</u>

Federal Sources:

Title I Grants to Local Educational Agencies	167,160
Improving Teacher Quality State Grants	39,734
Career and Technical Education - Basic Grants to States	12,568
Special Education Pass-Through - IDEA Grant	81,700
English Language Acquisition Grants	7,403
Title VI Grants for Assessments and Related Activities	6,815
Medicaid	187,867
	<u>503,247</u>

Total Revenue	<u>\$ 14,227,644</u>
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Continued

**MOC - FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GENERAL FUND - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2015**

Schedule 1

EXPENDITURES:

Instruction:

Regular Instruction:

Salaries	\$ 4,880,698
Benefits	1,368,056
Services	609,076
Supplies	252,176
Property	19,413
	<u>7,129,419</u>

Special Education Instruction:

Salaries	1,312,728
Benefits	328,282
Services	226,386
Supplies	57,622
Property	3,922
	<u>1,928,940</u>

Vocational Instruction:

Salaries	327,228
Benefits	88,679
Services	2,802
Supplies	27,102
Property	6,956
	<u>452,767</u>

Co-curricular Instruction:

Salaries	296,732
Benefits	55,820
Services	9,403
	<u>361,955</u>

Nonpublic Instruction:

Supplies	11,509
	<u>11,509</u>

Total Instruction		\$	<u>9,884,590</u>
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Continued

MOC - FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GENERAL FUND - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2015

Schedule 1

Support Services:

Student Services:

Guidance Services:

Salaries	\$ 227,579
Benefits	61,200
Services	1,166
Supplies	334
	<u>290,279</u>

Health Services:

Salaries	38,671
Benefits	13,159
Services	1,361
Supplies	1,811
	<u>55,002</u>

Total Student Services

345,281

Support Services:

Instructional Staff Services:

Improvement of Instruction Services:

Services	17,254
Supplies	2,283
Other	858
	<u>20,395</u>

Educational Media Services:

Salaries	179,525
Benefits	39,608
Services	1,225
Supplies	26,519
Property	525
	<u>247,402</u>

Other Instructional Staff Support Services:

Salaries	138,064
Benefits	38,612
Services	42,173
Supplies	81,252
Property	27,192
	<u>327,293</u>

Total Instructional Staff Services

\$ 595,090

Continued

**MOC - FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GENERAL FUND - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2015**

Schedule 1

Support Services (Continued):

Administration Services:

Executive Administration:

Salaries	\$ 165,758
Benefits	51,436
Services	9,645
Supplies	3,944
Other	390
	<u>231,173</u>

School Administration:

Salaries	555,367
Benefits	189,158
Services	10,047
Supplies	3,238
	<u>757,810</u>

Business Administration:

Salaries	80,096
Benefits	26,860
Services	18,386
Supplies	303
Other	335
	<u>125,980</u>

Board of Education:

Services	30,020
Supplies	5,116
Other	8,847
	<u>43,983</u>

Total Administration Services:

1,158,946

Plant Operation and Maintenance:

Salaries	397,769
Benefits	104,999
Services	215,492
Supplies	348,702
Property	18,103
	<u>\$ 1,085,065</u>

Continued

MOC - FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GENERAL FUND - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2015

Schedule 1

Support Services (Continued):	
Student Transportation:	
Salaries	\$ 241,666
Benefits	47,874
Services	131,128
Supplies	92,082
Property	37,503
Other	2,010
	<u>552,263</u>
Total Support Services	<u>3,736,645</u>
Non-instructional Programs:	
Community Services:	
Salaries	33,412
Benefits	12,216
	<u>45,628</u>
Other Expenditures:	
AEA Flow-Through	<u>622,272</u>
Total Expenditures	<u>14,289,135</u>
Excess of Revenues Over Expenditures	<u>(61,491)</u>
Net Change in Fund Balance	(61,491)
Fund Balance - Beginning of Year	<u>3,297,340</u>
Fund Balance - End of Year	<u><u>\$ 3,235,849</u></u>

See accompanying independent auditors' report

**MOC - FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
COMBINING BALANCE SHEET
GOVERNMENTAL NONMAJOR FUNDS
JUNE 30, 2015**

	Special Revenue Funds		
	Management Levy	Student Activity	Debt Service
ASSETS			
Cash and Pooled Investments	\$ 287,057	\$ 141,486	\$ -
Receivables:			
Property Tax	2,073	-	-
Succeeding Year Property Tax	199,998	-	-
Accounts	-	16,518	-
Restricted Assets:			
Cash and Pooled Investments	-	-	59,262
Total Assets	489,128	158,004	59,262
LIABILITIES			
Liabilities:			
Accounts Payable	3,744	24,071	-
Total Liabilities	3,744	24,071	-
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue -			
Subsequent Year Property Taxes	199,998	-	-
Total Deferred Inflows of Resources	199,998	-	-
Fund Balances:			
Restricted For:			
Debt Service	-	-	59,262
Management Levy	285,386	-	-
Physical Plant and Equipment Levy	-	-	-
Other Special Revenue Purposes	-	133,933	-
Total Fund Balances	285,386	133,933	59,262
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 489,128	\$ 158,004	\$ 59,262

See accompanying independent auditors' report

Schedule 2

Capital Projects	
Physical Plant and Equipment Levy	Total
\$ 332,498	\$ 761,041
1,473	3,546
184,132	384,130
-	16,518
-	59,262
518,103	1,224,497
<hr/>	
-	27,815
-	27,815
<hr/>	
184,132	384,130
184,132	384,130
<hr/>	
-	59,262
-	285,386
333,971	333,971
-	133,933
333,971	812,552
<hr/>	
\$ 518,103	\$ 1,224,497
<hr/>	

See accompanying independent auditors' report

MOC - FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCES
 GOVERNMENTAL NONMAJOR FUNDS
 FOR THE YEAR ENDED JUNE 30, 2015

	Special Revenue Funds		
	Management Levy	Student Activity	Debt Service
REVENUE:			
Local Sources:			
Local Tax	\$ 250,201	\$ -	\$ -
Other	13,222	350,621	9
State Sources	2,380	-	-
Total Revenue	265,803	350,621	9
EXPENDITURES:			
Current:			
Instruction:			
Regular Instruction	30,065	-	-
Other Instruction	9,020	342,186	-
Support Services:			
Student Services	1,209	-	-
Instructional Staff Services	36,098	-	-
Administration Services	3,393	-	-
Operation and Maintenance	73,662	2,260	-
Transportation Services	29,715	-	-
Non-instructional Programs	15,555	-	-
Other Expenditures:			
Long-term Debt:			
Principal	-	-	1,358,000
Interest and Fiscal Charges	-	-	265,075
Total Expenditures	198,717	344,446	1,623,075
Excess (Deficiency) of Revenues Over Expenditures	67,086	6,175	(1,623,066)
Other Financing Sources:			
Transfers In	-	-	987,246
Total Other Financing Sources	-	-	987,246
Net Change in Fund Balance	67,086	6,175	(635,820)
Fund Balances - Beginning of Year	218,300	127,758	695,082
Fund Balances - End of Year	\$ 285,386	\$ 133,933	\$ 59,262

See accompanying independent auditors' report

Schedule 3

<u>Capital Projects</u>	
Physical	
Plant and	
Equipment	
Levy	Total
<hr/>	
\$ 181,355	\$ 431,556
3,177	367,029
1,809	4,189
186,341	802,774
<hr/>	
-	30,065
-	351,206
<hr/>	
-	1,209
-	36,098
-	3,393
15,938	91,860
-	29,715
-	15,555
<hr/>	
-	1,358,000
-	265,075
<hr/>	
15,938	2,182,176
<hr/>	
170,403	(1,379,402)
<hr/>	
-	987,246
<hr/>	
-	987,246
<hr/>	
170,403	(392,156)
<hr/>	
163,568	1,204,708
<hr/>	
\$ 333,971	\$ 812,552
<hr/>	

See accompanying independent auditors' report

MOC - FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2015

						Schedule 4
	Balance					Balance
	June 30,	Revenues	Expenditures	Operating		June 30,
	2014			Transfers		2015
Plays/Musical	\$ 3,082	\$ 4,225	\$ 4,994	\$ (2,000)	\$	313
Iowa High School Speech	-	8	5,487	5,479		-
Speech Club	2,925	3,043	2,729	-		3,239
Vocal Robe Rent	9,356	-	-	-		9,356
Iowa High School Music	20	36	5,123	5,067		-
Band Instrument Rent	1,573	7,272	6,494	-		2,351
Band Uniform Rent	3,577	9,466	4,343	-		8,700
Jazz Band	-	314	94	-		220
Middle School Band	206	-	-	-		206
Music Gate Receipts	251	5,141	4,168	(1,000)		224
Pep Club/Cheerleaders	918	5,114	5,093	-		939
Dance Team	3,742	1,527	1,491	-		3,778
Athletics	15,304	103,419	111,537	-		7,186
Boys Basketball	500	-	-	-		500
Dutch Football	1,154	2,522	2,240	-		1,436
Joint Baseball/Softball	3,546	7,700	5,016	-		6,230
Joint Baseball/Softball Concessions	4,565	12,703	10,521	-		6,747
Wrestling Concessions	1,605	8,410	7,136	-		2,879
Youth Wrestling	1,289	120	-	-		1,409
Dutch Volleyball	3,311	10,789	6,075	-		8,025
Annual	775	9,180	8,773	-		1,182
Industrial Tech./Skills USA	476	1,070	2,198	652		-
Student Council	8,164	15,269	13,266	(3,008)		7,159
FFA Club	2,704	38,896	38,077	-		3,523
Class of 2021	-	-	-	400		400
Class of 2019	700	-	-	-		700
Class of 2018	1,000	-	-	-		1,000
Class of 2017	1,000	-	-	-		1,000
Class of 2016	1,000	8,770	5,845	-		3,925
Class of 2015	2,387	-	2,247	(44)		96
Class of 2014	356	-	-	(356)		-
Middle/High School Shop	176	762	394	-		544
Awards	3,801	886	1,074	(2,000)		1,613
Miscellaneous	4,012	9,829	7,885	(2,622)		3,334
Concessions	5,362	15,122	11,659	(568)		8,257
National Honor Society	936	690	161	-		1,465
Middle School Student Council	359	5,151	4,856	-		654
Middle School Magazines	9,309	31,584	34,308	-		6,585
Middle School Book Club	81	-	-	-		81
Middle School Pictures	1,963	774	1,409	-		1,328
Reading Counts	10,723	3,528	3,644	-		10,607

(Continued)

MOC - FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2015

					Schedule 4
	Balance				Balance
	June 30,			Operating	June 30,
	2014	Revenues	Expenditures	Transfers	2015
Orange City Outdoor Education	-	14,666	12,708	-	1,958
Orange City Elementary Pictures	7,062	5,504	8,099	-	4,467
Orange City Elementary Book Club	30	529	403	-	156
Orange City Elementary Care Fund	375	-	-	-	375
Hospers Elementary Pictures	263	1,039	247	-	1,055
Special Education Shop	7,820	3,306	2,395	-	8,731
Totals	\$ 127,758	\$ 348,364	\$ 342,189	\$ -	\$ 133,933

See accompanying independent auditors report

MOC - FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES -
AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

Schedule 5

	Balance			Balance
	June 30, 2014	Additions	Deductions	June 30, 2015
<u>FLEX</u>				
<u>Assets</u>				
Cash and Pooled Investments	\$ 10,629	\$ 95,797	\$ 89,737	\$ 16,689
Total Assets	10,629	95,797	89,737	16,689
<u>Liabilities</u>				
Other Payables	10,629	95,797	89,737	16,689
Total Liabilities	10,629	95,797	89,737	16,689
 <u>Band Parents</u>				
<u>Assets</u>				
Cash and Pooled Investments	44,556	261,484	262,322	43,718
Total Assets	44,556	261,484	262,322	43,718
<u>Liabilities</u>				
Other Payables	44,556	261,484	262,322	43,718
Total Liabilities	44,556	261,484	262,322	43,718
 <u>Totals</u>				
<u>Assets</u>				
Cash and Pooled Investments	55,185	357,281	352,059	60,407
Total Assets	55,185	357,281	352,059	60,407
<u>Liabilities</u>				
Other Payables	55,185	357,281	352,059	60,407
Total Liabilities	\$ 55,185	\$ 357,281	\$ 352,059	\$ 60,407

See accompanying independent auditors' report

MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
ALL GOVERNMENTAL FUNDS
FOR THE TEN YEARS ENDED JUNE 30, 2015

	Modified Accrual Basis of Accounting				
	2015	2014	2013	2012	2011
Revenues:					
Local Sources:					
Local Tax	\$ 7,045,864	\$ 7,006,461	\$ 6,973,000	\$ 6,680,313	\$ 6,813,563
Tuition	445,484	372,889	317,588	306,496	251,986
Other	672,262	706,089	659,908	694,908	596,633
State Sources	7,749,297	7,495,123	7,181,925	7,484,581	6,763,471
Federal Sources	503,247	507,795	427,616	709,076	679,637
Total	16,416,154	16,088,357	15,560,037	15,875,374	15,105,290
Expenditures:					
Instruction:					
Regular	7,502,902	7,018,338	6,675,244	6,592,324	6,432,633
Special	1,928,940	1,733,992	1,710,672	1,660,435	1,755,192
Other	1,177,437	1,170,537	1,176,610	1,128,732	1,064,930
Support Services:					
Student	346,490	365,110	384,885	504,050	403,605
Instructional Staff	632,193	565,249	546,491	430,803	514,136
Administration	1,174,497	1,143,979	1,193,301	1,132,640	1,078,132
Operation and maintenance of plant	1,209,613	1,208,171	1,055,940	1,102,444	1,019,203
Transportation	693,248	556,651	590,443	663,479	490,124
Non-instructional programs	61,183	57,100	54,381	34,755	794
Other Expenditures:					
Facilities Acquisition	3,384,971	586,893	1,335,187	304,694	162,335
Long-term debt:					
Principal	1,358,000	658,597	232,040	668,385	839,184
Interest and other charges	265,075	61,898	30,978	95,544	133,508
AEA Flowthrough	622,272	578,836	554,844	557,266	603,338
Total	\$ 20,356,821	\$ 15,705,351	\$ 15,541,016	\$ 14,875,551	\$ 14,497,114

See accompanying independent auditors' report

Schedule 6

Modified Accrual Basis of Accounting				
2010	2009	2008	2007	2006
\$ 6,177,551	\$ 5,920,879	\$ 5,742,777	\$ 5,717,087	\$ 5,422,730
213,050	206,596	227,197	245,447	238,086
517,985	516,071	595,337	653,974	796,282
6,006,701	6,855,748	6,350,048	5,862,514	5,230,501
1,285,219	638,707	585,683	356,122	408,004
14,200,506	14,138,001	13,501,042	12,635,144	12,095,603
6,296,032	6,248,844	5,848,218	5,245,267	4,745,983
1,774,807	1,620,557	1,403,884	1,274,833	1,050,820
1,070,482	1,087,334	1,100,724	1,146,584	1,178,431
391,921	387,817	365,581	367,276	327,830
468,121	471,129	437,981	474,641	491,826
1,049,388	1,023,237	997,004	988,093	966,342
947,276	971,881	926,787	961,151	851,118
545,967	547,162	497,695	476,459	488,615
17,917	15,187	11,799	12,784	12,896
240,797	355,452	194,210	612,353	3,568,453
805,096	768,865	721,864	625,209	600,000
167,597	202,359	236,861	256,253	279,828
588,853	522,985	494,092	460,286	436,066
\$ 14,364,254	\$ 14,222,809	\$ 13,236,700	\$ 12,901,189	\$ 14,998,208

See accompanying independent auditors' report

**MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2015**

Schedule 7			
Grantor/Program	CFDA Number	Grant Number	Expenditures
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Education:			
School Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY15	\$ 31,242
National School Lunch Program	10.555	FY15	295,974 **
			<u>327,216 *</u>
U.S. Department of Education:			
Iowa Department of Education:			
Title I Grants to Local Educational Agencies	84.010	FY15	167,160
Improving Teacher Quality State Grants	84.367	FY15	39,734
Grants for State Assessments & Related Activities	84.369	FY15	6,815
Northwest Area Education Agency:			
Special Education - Grants to States	84.027	FY15	81,700
Career and Technical Education - Basic Grants to States	84.048	FY15	12,568
English Language Acquisition Grants	84.365	FY15	<u>7,403</u>
Total			<u>\$ 642,596</u>

* Total expenditures from these programs exceed 50% of the total Federal Awards and are considered major programs.

** Includes \$63,062 of non-cash awards.

BASIS OF PRESENTATION

The Schedule of Expenditures of Federal Awards includes the federal grant activity of the MOC-Floyd Valley Community School District and is presented on the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015**

SCHEDULE 8

Part I: Summary of the Independent Auditor's Results

- (a) Unmodified opinions were issued on the financial statements.
- (b) A material weakness in internal control over financial reporting was disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No significant deficiencies in internal control over major programs were disclosed by the audit of the financial statements.
- (e) An unmodified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed an audit finding which is required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - Clustered programs:
 - CFDA Number 10.553 – School Breakfast Program
 - CFDA Number 10.555 – National School Lunch Program
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) MOC-Floyd Valley Community School District did not qualify as a low-risk auditee.

**MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015**

SCHEDULE 8

Part II: Findings Related to the Financial Statements

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

There were no prior year audit findings.

MATERIAL WEAKNESS:

2015-001 Financial Reporting

Condition and Criteria – During the audit, we identified transactions concerning retainage payable, capital assets, receivables and investments not properly recorded in the District's financial statements. Adjustments were subsequently made by the District to properly include these amounts in the financial statements.

Effect – The financial information provided by management does not properly present all transactions.

Cause – With a limited number of personnel and current staff workload, they do not allow for adequate review and preparation.

Recommendation – The District should implement procedures to ensure all transactions are properly identified, classified and included in the District's financial statements.

Response – We will revise our current procedures to ensure the proper amounts are recorded in the financial statements in the future and monitor this process on a regular basis. However, hiring additional staff to implement additional review would not be cost effective.

Part III: Findings and Questioned Costs for Federal Awards

INSTANCES OF NON-COMPLIANCE:

**CFDA #10.553: School Breakfast Program
CFDA #10.555: National School Lunch Program
Federal Award Year: 2015
U.S. Department of Agriculture
Passed through the Iowa Department of Education**

2015-002 Condition and Criteria – During our testing of eligibility for free/reduced lunches we noted one instance of noncompliance where a student was awarded reduced lunch status at a cost of approximately \$290 but should not have been placed on reduced status.

Effect – One applicant received assistance for which they were not eligible.

Cause – Applicant requested help in completing application and incorrect pay item was used to calculate eligibility.

**MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015**

SCHEDULE 8

Part III: Findings and Questioned Costs for Federal Awards (Continued)

Recommendation – The District should insure that all applications for the Free/Reduced Lunch Program are properly completed. All employees, involved in computing eligibility should be properly trained. To insure proper completion, the District should continue to review the completed applications on a timely basis before students are awarded free or reduced status.

Response – We will review with the District employees, the proper completion of the free/reduced lunch applications. We will ensure that the income calculations are made correctly by adding an extra step in our verification process. All applications will be entered in the state's online calculation program and printed out and attached to each application to ensure proper calculations.

SIGNIFICANT DEFICIENCIES:

No matters were reported.

**MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015**

SCHEDULE 8

Part IV: Other Findings Related to Statutory Reporting

- IV-A-15 Certified Budget – Expenditures for the year ended June 30, 2015 did not exceed amounts budgeted.
- IV-B-15 Questionable Disbursements – No disbursements were noted that they may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- IV-C-15 Travel Expense – No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- IV-D-15 Business Transactions – Business transactions between the District and District Officials are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Gerald Van Roekel, Board Member Part-owner of Van Engelenhoven Agency	Insurance	\$182,941

This transaction may represent a conflict of interest and the District should contact legal council for determination.

- IV-E-15 Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- IV-F-15 Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.
- IV-G-15 Certified Enrollment – A variance of -.58 was identified in the basic enrollment data certified to the Iowa Department of Education in October, 2014. The variance was discovered by the Department of Education and the District agrees with the variance.
- IV-H-15 Supplementary Weighting – A variance of 6.842 FTE was identified regarding the supplementary weighting certified to the Iowa Department of Education in October, 2014. The variance was discovered by the District and the Department of Education agrees with the variance.
- IV-I-15 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.
- IV-J-15 Certified Annual Report – The Certified Annual Report was certified timely to the Department of Education.
- IV-K-15 Categorical Funding – No instances were noted of categorical funding being used to supplant rather than supplement other funds.

**MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015**

SCHEDULE 8

Part IV: Other Findings Related to Statutory Reporting (Continued)

IV-L-15 Statewide Sales, Services, and Use Tax – No instances of non-compliance with the use of the statewide sales, services, and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services, and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2015, the District reported the following information regarding the statewide sales, services, and use tax revenue in the District's CAR:

Beginning Balance		\$ (55,842)
Statewide Sales and Services Tax Revenue	\$1,305,145	
Other Local Revenues	80,591	
Sale of Long-term Debt	8,213,864	9,599,600
		<u>9,543,758</u>
Expenditures/transfers out:		
School infrastructure construction	3,384,971	
Other	500,539	
Transfers to other funds:		
Debt Service	987,246	4,872,756
Ending Balance		<u>\$ 4,671,002</u>

For the year ended June 30, 2015, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.

IV-M-15 Student Activity Fund – In accordance with Chapter 298A.8 of the Code of Iowa and Iowa Administrative Rule 281-12.6(1), moneys in the Student Activity Fund should be used to support only the extracurricular and co-curricular activities offered as part of the District's educational program. We found no accounts that didn't appear to be extracurricular or co-curricular in nature.



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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Education of the
MOC-Floyd Valley Community School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activity, each major fund, and the aggregate remaining fund information of the MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the MOC-Floyd Valley Community School District's basic financial statements, and have issued our report thereon dated January 30, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the MOC-Floyd Valley Community School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the MOC-Floyd Valley Community School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the MOC-Floyd Valley Community School District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2015-001 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the MOC-Floyd Valley Community School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of

noncompliance or other matters that are described in Part IV of the accompanying schedule of findings and questioned costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2015 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

MOC-Floyd Valley Community School District's Response to Findings

The MOC-Floyd Valley Community School District's response to findings identified in our audit is described in the accompanying schedule of findings and questioned costs. MOC-Floyd Valley Community School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of MOC-Floyd Valley Community School District during the course of our audit. If you have any questions concerning any of the above matters, we would be pleased to discuss them with you at your convenience.

Williams & Company, P.C.
Certified Public Accountants

Le Mars, Iowa
January 30, 2016



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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

To the Board of Education of the
MOC-Floyd Valley Community School District:

Report on Compliance for Each Major Federal Program

We have audited the MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of MOC-Floyd Valley Community School District's major federal programs for the year ended June 30, 2015. MOC-Floyd Valley Community School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the MOC-Floyd Valley Community School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the MOC-Floyd Valley Community School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Other Matters

The results of our auditing procedures disclosed other instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of

findings and questioned costs as item 2015-002. Our opinion on each major federal program is not modified with respect to these matters.

MOC-Floyd Valley School District's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

The management of the MOC-Floyd Valley Community School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered MOC-Floyd Valley Community School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the MOC-Floyd Valley Community School District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.


Certified Public Accountants

Le Mars, Iowa
January 30, 2016



MOC-FLOYD VALLEY COMMUNITY SCHOOL

Russ Adams
Superintendent

709 8th St. SE
Orange City, IA 51041
Office 712-737-4873
Mobile 712-395-2411
Fax 712-737-8789

Schedule of Findings and Questioned Costs Corrective Action Plan June 30, 2015

Department of Education:

MOC-Floyd Valley Community School District, respectfully submits the following corrective action plan for the year ended June 30, 2015.

The audit was performed by Williams & Company, P.C., P.O. Box 1010, Le Mars, Iowa, for the fiscal year ended June 30, 2015.

The findings from the June 30, 2015 Schedule of Findings and Questioned Costs are discussed below. The findings are numbered consistently with the number assigned in the schedule.

INSTANCES OF NON-COMPLIANCE:

CFDA Number 10.553: School Breakfast Program
CFDA Number 10.555: National School Lunch Program
CFDA Number 10.559: Summer Food Service Program
Federal Award Year: 2015
U.S. Department of Agriculture

2015-002 Grant Administration – School Nutrition Cluster Program

Condition and Criteria – During our testing of eligibility for free/reduced lunches we noted one instance of noncompliance where a student was awarded reduced lunch status at a cost of approximately \$290 but should not have been placed on reduced status.

Effect – One applicant received assistance for which they were not eligible.

Cause – Applicant requested help in completing application and incorrect pay item was used to calculate eligibility.

Recommendation – The District should insure that all applications for the Free/Reduced Lunch Program are properly completed. All employees, involved in computing eligibility should be properly trained. To insure proper completion, the District should continue to review the completed applications on a timely basis before students are awarded free or reduced status.

FOSTERING LEARNING, EXCELLENCE AND CIVIC RESPONSIBILITY

High School
615 8th St. SE
Orange City, IA 51041
712-737-4871
Mike Mulder, *Principal*

Middle School
1104 5th Ave.
Alton, IA 51003
712-756-4128
Cam Smith, *Principal*

74 Orange City Elementary
312 1st St. SW
Orange City, IA 51041
712-737-4606
Mike Landhuis, *Principal*

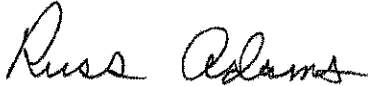
Hospers Elementary
201 4th Ave. S.
Hospers, IA 51238
712-752-8480
Marcia De Graaf, *Principal*

Response – We will review with the District employees, the proper completion of the free/reduced lunch applications. We will ensure that the income calculations are made correctly by adding an extra step in our verification process. All applications will be entered in the state's online calculation program and printed out and attached to each application to ensure proper calculations.

If the Department of Education has questions regarding this plan, please call Russ Adams at 712-737-4873.

Sincerely yours,

MOC-FLOYD VALLEY COMMUNITY SCHOOL DISTRICT

A handwritten signature in cursive script that reads "Russ Adams".

Russ Adams, Superintendent